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C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 000771

SIPDIS

STATE FOR EUR/NB

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TAGS: [PGOV](#) [PREL](#) [LH](#)

SUBJECT: LABOR PARTY JOSTLING FOR EARLY POSITION AHEAD OF 2006 MUNICIPAL ELECTIONS

REF: A. VILNIUS 662

[1B](#). VILNIUS 769

[1C](#). VILNIUS 636

[1D](#). 04 VILNIUS 1352

Classified By: Pol/Econ Officer Gregory L. Bernsteen  
for Reasons 1.4 (b) and (d)

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SUMMARY  
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[11](#). (C) Lithuania's uneasy ruling coalition continues to function amid signs that some of the constituent parties are already beginning to look to the next election cycle. The dual triggers of Labor Party Chairman Viktor Uspaskich's forced resignation as Economy Minister and upcoming municipal elections in late 2006 have encouraged the Labor Party especially to reevaluate the status quo. Our sources agree that the coalition will remain intact for now. However, many believe that the Labor party will pull out of the coalition and go into opposition prior to the elections next year in order to blame other coalition members for Labor's failure to deliver on its campaign promises. If Labor pulls out, there are few options for alternative coalition formations, and none would be as stable as the current group. We do not expect any substantive changes in Lithuania's foreign policy, regardless of whether the ruling coalition's composition changes. END SUMMARY.

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LABOR'S FUTURE  
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[12](#). (C) The Labor Party's two most senior representatives after leader Viktor Uspaskich, Loreta Grauziniene and Viktoras Muntianas, have recently given remarks to the press on the future of the ruling coalition. Grauziniene has recommended that Labor discuss pulling out of the four-party coalition government, of which they are the biggest faction, and go into opposition. Grauziniene's complaints center on an alleged lack of respect for Labor from its partners. She claims that the PM's Social Democrats are attempting to exclude Labor from exercising influence over the coalition agenda despite Labor having twice as many MPs. Muntianas displayed a more conservative position, taking a "wait and see" attitude. Uspaskich, returning from vacation on July 23, denied that the party was considering leaving the coalition, but Grauziniene said the party leadership would still discuss the possibility at their next meeting on July 25-26.

[13](#). (C) Lauras Bielinis, a political analyst at the Institute of International Relations and Political Science, told us that Grauziniene's threats are most likely an attempt to enforce coalition discipline and gain ground for Labor. Bielinis theorizes that it is a similar strategy to Prime Minister Brazauskas's recent threat to resign if the Seimas did not pass the coalition's tax reform package (ref B). Bielinis also said that if Labor were to pull out of the coalition this early, some of its members would likely join other parties in order to "be in the government." Juozas Olekas, senior member of the Social Democrats in Parliament, told us that he believes the Labor Party is just "making threats" and that the comments "cannot be taken seriously since Uspaskich has not been in Lithuania."

[14](#). (C) Labor's image has suffered lately, with its leader resigning from his position as Minister of Economy after a Seimas commission found that he had violated rules prohibiting conflicts of interest (ref C). Social Democrat MP Algirdas Paleckis hinted to us on July 20 that, tiring of the turmoil in Labor's councils, Muntianas and two to three other Labor members in Seimas would likely switch to the Social Democrats in the near future. Paleckis commented that "(Muntianas) is a smart guy," and that "smart people will leave Labor." Although Muntianas is one of Labor's most prominent members, the press has reported that he is not satisfied with his status inside the party nor with Labor's accomplishments so far. Muntianas has made several comments that conflict with the Labor party line during the past several months.

15. (C) Paleckis also discussed a possible scenario in the event that Uspaskich is forced to give up his chairmanship of the Labor Party. He believes that there could be a merger between the Social Liberals (the party of Arturas Palauskas, Seimas Speaker and former interim President after Rolandas Paksas' impeachment) and the Labor Party. Palauskas is a statesman who commands a small party. He began his political career as a populist, but generally is considered a dispassionate moderate nowadays.

16. (C) Bielinis mentioned a second option should Labor's party discipline weaken. He suggested that the more business-oriented and less populist members of Labor could join with former members of the smaller opposition Liberal and Center Union to form a new faction in Parliament.

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COALITION ALTERNATIVES  
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17. (C) Several contacts, including both Paleckis and Bielinis, are convinced that Labor will pull out of the coalition sometime next year prior to the municipal elections in late 2006. Labor would benefit, they suggest, by being able to shift the blame for the stalemate in Parliament to its coalition partners. All municipal elections occur across Lithuania simultaneously, meaning that Labor could hope for another sweep similar to its decisive win in the last Parliamentary election.

18. (C) The three other members of the ruling coalition, Social Democrats, Social Liberals, and the Peasant's Party, do not have much room to maneuver if forced to form a new coalition. Without Labor's MPs, the group would be hard-pressed to cobble together a majority. The only real option would be a "Rainbow Coalition" including the center-left Social Democrats, Social Liberals and Peasant's Party along with the center-right Conservatives and Liberal-Center Union. However, the parties would surely find it hard to agree on common goals and power sharing, just as they did during the formation of the current government (ref D). Impeached President Paksas' Liberal Democrats tend to be shunned by all sides, and are unlikely to participate in any coalition unless Labor needs them to fill in the gap if one of the smaller parties were to pull out.

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COMMENT  
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19. (C) The coalition will likely remain intact in the near term. The Labor party is interested in extending its influence and its current threats are likely meant to support that goal. Labor has twice as many MPs as the Social Democrats, but has had much less input on the legislative agenda. As Labor gains more experience in government, it can be expected to assert its authority more frequently. Looking ahead, Uspaskich and his fellow party members will have to decide whether the freedom they would enjoy in opposition merits relinquishing the perquisites of power.  
Kelly